

Revision to the "Guidelines on the assessment of investment analysis"

EB59

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Why is this revision recommended?

- CMP5 requested the Board to work on **standardized methods to calculate financial parameters**
 - Current determination of financial benchmarks varies considerably
 - Several clarifications were sought
- => MP46 recommended revision to incorporate standardized methods
- **Main objective: Simplify + enhance objectivity and consistency**
 - EB59 to consider public comments and agree on the way forward



Main elements of the revision

- **Default values** for financial benchmarks for **three generic sectors** per country

	Sector 1	Sector 2	Sector 3
Afghanistan	14.5	15.5	14
Albania	13	14	12.5
Algeria	12.9	13.9	12.4

- Guidance on determining the share of equity and debt funding
- Abandonment of the **Capital Asset Pricing Model (CAPM)**
 - Lack of data for developing countries
 - Allowed if used historically for company-internal benchmark



Main issues raised in public comments

- Risks of projects not sufficiently reflected by 3 sectors
- Default values too conservative
- Use host country specific information if available
- Better substantiation of assumption
- Inflation rate
- Updating default values



Proposed way forward

- Allow for the use of financial benchmarks published for the country
- Better reflect differences between projects
- Clarify the consideration of inflation => actual values are higher
- Mandatory nature of default values:

Option A: Mandatory only if national defaults, company benchmarks or commercial rates do not apply / are not available

Option B: Default values are upper limit for the benchmarks



